

# House File 685 - Introduced

HOUSE FILE 685

BY COMMITTEE ON WAYS AND MEANS

(SUCCESSOR TO HSB 231)

## A BILL FOR

1 An Act relating to the administration of the property  
2 rehabilitation tax credit program by the department of  
3 cultural affairs and including retroactive applicability  
4 provisions.

5 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 Section 1. Section 404A.1, Code 2011, is amended to read as  
2 follows:

3 **404A.1 Historic preservation and cultural and entertainment**  
4 **district tax credit — eligible property definitions.**

5 1. a. A historic preservation and cultural and  
6 entertainment district tax credit, subject to the availability  
7 of the credit, is granted against the tax imposed under  
8 chapter 422, division II, III, or V, or chapter 432, for the  
9 substantial rehabilitation of eligible property located in this  
10 state as provided in this chapter.

11 b. Tax credits in excess of tax liabilities shall be  
12 refunded or credited as provided in section 404A.4, subsection  
13 3.

14 2. For purposes of this chapter, unless the context  
15 otherwise requires:

16 ~~2. a.~~ Eligible property *"Eligible property"* means property  
17 for which a taxpayer may receive the historic preservation and  
18 cultural and entertainment district tax credit computed under  
19 this chapter and includes all of the following:

20 ~~a.~~ (1) Property listed on the national register of historic  
21 places or eligible for such listing.

22 ~~b.~~ (2) Property designated as of historic significance to a  
23 district listed in the national register of historic places or  
24 eligible for such designation.

25 ~~c.~~ (3) Property or district designated a local landmark by  
26 a city or county ordinance.

27 ~~d.~~ (4) A barn constructed prior to 1937.

28 b. *"Placed in service"* means the same as used in section 47  
29 of the Internal Revenue Code.

30 c. *"Qualified rehabilitation costs"* means expenditures  
31 made for the rehabilitation of eligible property and includes  
32 qualified rehabilitation expenditures as defined in section 47  
33 of the Internal Revenue Code.

34 (1) Qualified rehabilitation costs include amounts if they  
35 are properly includable in computing the basis for tax purposes

1 of the eligible property.

2 (2) Amounts treated as an expense and deducted in the  
3 tax year in which they are paid or incurred and amounts that  
4 are otherwise not added to the basis for tax purposes of the  
5 eligible property are not qualified rehabilitation costs.

6 (3) Amounts incurred for architectural and engineering  
7 fees, site survey fees, legal expenses, insurance premiums,  
8 development fees, and other construction-related costs are  
9 qualified rehabilitation costs to the extent they are added to  
10 the basis for tax purposes of the eligible property.

11 (4) Costs of sidewalks, parking lots, and landscaping do not  
12 constitute qualified rehabilitation costs.

13 d. "Rehabilitation period" means the period of time during  
14 which an eligible property is rehabilitated commencing from  
15 the date on which the first qualified rehabilitation cost is  
16 incurred and ending with the end of the taxable year in which  
17 the property is placed in service. A project's rehabilitation  
18 period may include dates that precede approval of a project  
19 under section 404A.3, but any costs incurred prior to such  
20 approval must be qualified rehabilitation expenditures as  
21 defined in section 47(c)(2) of the Internal Revenue Code in  
22 order to be qualified rehabilitation costs under this chapter.

23 e. "Substantial rehabilitation" means qualified  
24 rehabilitation costs that meet or exceed the following:

25 (1) In the case of commercial property, costs totaling at  
26 least fifty percent of the assessed value of the property,  
27 excluding the land, prior to the rehabilitation.

28 (2) In the case of residential property or barns, costs  
29 totaling at least twenty-five thousand dollars or twenty-five  
30 percent of the assessed value, excluding the land, prior to  
31 rehabilitation, whichever is less.

32 Sec. 2. Section 404A.2, Code 2011, is amended to read as  
33 follows:

34 **404A.2 Amount of credit.**

35 1. The amount of the credit equals twenty-five percent of

1 the qualified rehabilitation costs ~~made to~~ incurred for the  
2 substantial rehabilitation of eligible property.

3 ~~a. In the case of commercial property, rehabilitation costs~~  
4 ~~must equal at least fifty percent of the assessed value of the~~  
5 ~~property, excluding the land, prior to the rehabilitation.~~

6 ~~b. In the case of residential property or barns, the~~  
7 ~~rehabilitation costs must equal at least twenty-five thousand~~  
8 ~~dollars or twenty-five percent of the assessed value, excluding~~  
9 ~~the land, prior to the rehabilitation, whichever is less.~~

10 ~~c. In computing the tax credit for eligible property that~~  
11 ~~is classified as residential or as commercial with multifamily~~  
12 ~~residential units, the rehabilitation costs used shall not~~  
13 ~~exceed one hundred thousand dollars per residential unit.~~

14 ~~d. In computing the tax credit, the only costs which may~~  
15 ~~be included are the qualified rehabilitation costs incurred~~  
16 ~~between the period ending on the project completion date and~~  
17 ~~beginning on the date two years prior to the project completion~~  
18 ~~date, provided that any qualified rehabilitation costs incurred~~  
19 ~~prior to the date of approval of the project as provided in~~  
20 ~~section 404A.3 must be qualified rehabilitation expenditures~~  
21 ~~under the federal rehabilitation credit in section 47 of the~~  
22 ~~Internal Revenue Code.~~

23 ~~2. For purposes of this chapter, qualified rehabilitation~~  
24 ~~costs include amounts if they are properly includable in~~  
25 ~~computing the basis for tax purposes of the eligible property.~~

26 ~~a. Amounts treated as an expense and deducted in the tax~~  
27 ~~year in which they are paid or incurred and amounts that are~~  
28 ~~otherwise not added to the basis for tax purposes of the~~  
29 ~~eligible property are not qualified rehabilitation costs.~~

30 ~~b. Amounts incurred for architectural and engineering~~  
31 ~~fees, site survey fees, legal expenses, insurance premiums,~~  
32 ~~development fees, and other construction-related costs are~~  
33 ~~qualified rehabilitation costs to the extent they are added to~~  
34 ~~the basis for tax purposes of the eligible property.~~

35 ~~c. Costs of sidewalks, parking lots, and landscaping do not~~



1 preservation property rehabilitation tax credit program  
2 administered by the department of cultural affairs.

3 The bill makes the following changes to the administration  
4 of the program:

5 (1) Currently, property classified as residential or as  
6 commercial with multifamily residential units may not exceed  
7 \$100,000 in rehabilitation costs used per residential unit.  
8 The bill eliminates this requirement.

9 (2) Currently, the program uses a 24-month period for  
10 purposes of determining the costs that qualify for purposes  
11 of computing the amount of the tax credit. The bill provides  
12 for a rehabilitation period commencing from the date the first  
13 qualified rehabilitation cost is incurred and ending with the  
14 end of the taxable year in which the property is placed in  
15 service.

16 (3) Currently, all rehabilitation projects must be  
17 completed and placed in service within 36 months of approval.  
18 The bill allows projects up to 60 months in which to be  
19 completed.

20 (4) A reference to the department of cultural affairs is  
21 changed to the state historic preservation office.

22 The bill applies retroactively to July 1, 2009, for projects  
23 approved and tax credits reserved on or after that date.